

**VIRGINIA RESOURCES AUTHORITY**  
**BOARD OF DIRECTORS**  
**MINUTES OF THE REGULAR MEETING**

The Board of Directors of the Virginia Resources Authority met on March 12, 2013, in the 18<sup>th</sup> Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

**COMMITTEE MEMBERS PRESENT:**

William G. O'Brien, Chair  
James H. Spencer, III, Vice Chair  
David Branscome  
Thomas L. Hasty, III  
John H. Rust, Jr.  
Steven D. Pelli, P.E. on behalf of John J. Aulbach II, P.E.  
Richard Weeks on behalf of David Paylor  
Evelyn Whitley on behalf of Manju Ganeriwala

**ABSENT:**

Randall P Burdette  
Barbara McCarthy Donnellan  
Dena Frith Moore

**STAFF:**

Suzanne S. Long, Executive Director, Secretary to the Board  
Jean Bass, Director of Policy & Intergovernmental Relations  
Shawn Crumlish, Director of Debt Management & Credit Analysis  
Peter D'Alema, Director of Program Management  
Michael Cooper, Director of Administration  
Jon McCubbin, Controller  
Richard Rhodemyre, Intern

**OTHERS:**

James Traudt, Davenport & Company LLC  
Phyllis Katz, Attorney, Sands Anderson, PC

Mr. William G. O'Brien, Chairman of the Board of Directors, called the meeting to order at 9:00 a.m.

**Call to Order**

Mr. O'Brien called for approval of the agenda.

**Approval of Agenda**

Mr. Hasty moved, and Mr. Spencer seconded, approval of the agenda.

The motion was approved unanimously.

Mr. O'Brien called for approval of the minutes of the Portfolio Risk Management Committee meeting, held December 11, 2012, and the Board of Directors meeting, held December 12, 2012.

**Approval of Minutes**

There were no amendments to the minutes.

Mr. Spencer moved, and Mr. Weeks seconded, approval of the minutes for the Portfolio Risk Management Committee meeting, held December 11, 2012, and the Board of Directors meeting, held December 12, 2012.

The motion was approved unanimously.

The Executive Director asked Ms. Jean Bass, Director of Policy & Intergovernmental Relations, to provide an update on the 2013 General Assembly Session.

**Executive Director's Report**

Ms. Bass stated that the Virginia General Assembly ended on February 23, 2013 and that it was a good Session for VRA. VRA tracked legislation that impacted its borrowers, its state agency partners, and its ability to assist local communities with financing for infrastructure projects. Appointments of one new Board member and three current members were confirmed. Ms. Bass stated that VRA will continue to work with Delegate Joe May who introduced legislation to fund the Broadband Revolving Loan Fund established but not capitalized at VRA. Capitalization for the Fund was not approved this year and Delegate May has plans to reintroduce the measure in the 2014 Session.

Ms. Long provided updates to lawsuits relating to VRA and the Rappahannock-Shenandoah-Warren Regional Jail Authority and a school project in Shenandoah County.

Commenting on other matters, Ms. Long stated that in an effort to go paperless with Committee and Board meetings, staff has reached an agreement for a one-year contract to use BoardDocs software. Once fully implemented, Board members will be given the option of going paperless or receiving hard copies of the Board packets. Mr. Michael Cooper, Director of Administration, explained that BoardDocs webinar training is proposed for staff in April or May. It is the desire of staff to hold a brief training session for the Board at its June meeting so that in September everyone will be well versed and ready to use the program in its full capacity.

Ms. Long shared an invitation to the First Annual Virginia Investor Conference to be held in Arlington on March 22, 2013. She distributed copies of the invitation, noting that she and State Treasurer and Board

Member Manju Ganeriwala will be participating. This is a one day program that will highlight current issues impacting municipal finance in the Commonwealth. Davenport & Company LLC is the organizer.

Ms. Long concluded her report stating that VRA has issued RFPs for banking services. She stated that staff usually does not seek approval from the Board when selecting a vendor. However, Towne Bank responded to the RFP. She noted that Mr. Thomas L. Hasty, III works at this bank and he will disqualify himself from the selection process.

Prior to receiving the report from the Personnel Committee, Mr. O'Brien called for a motion to go into closed meeting to consider the Executive Director's Performance Evaluation.

**Closed Meetings**

Mr. Rust moved, and Mr. Hasty seconded, that the Board go into a closed meeting for a discussion pertaining to the performance and salary of specific public officers, appointees, or employees, as permitted by Section 2.2-3711A.1 of the Virginia Freedom of Information Act.

A roll call vote on the motion resulted as follows:

Ayes: Mr. Branscome, Mr. Hasty, Mr. Pellei, Mr. Rust, Mr. Spencer, Mr. Weeks, Ms. Whitley, and Mr. O'Brien.

Nays: None.

Absent for Vote: Mr. Randall Burdette, Ms. Barbara Donnellan, and Ms. Dena Moore.

Absent for Meeting: Mr. Randall Burdette, Ms. Barbara Donnellan, and Ms. Dena Moore.

The closed meeting convened at 9:18 a.m.

The open meeting reconvened at 9:25 a.m. The Executive Director read the following resolution certifying closed meeting.

**Open Meeting**

**RESOLUTION**

WHEREAS, the Board of the Virginia Resources Authority (the "Authority") convened a closed meeting on March 12, 2013, pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Board of the Authority hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by the Virginia Freedom of Information Act were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Committee.

Ms. Whitley moved, and Mr. Hasty seconded, approval of the above-stated resolution certifying closed meeting.

A roll call vote on the motion resulted as follows:

Ayes: Mr. Branscome, Mr. Hasty, Mr. Pellei, Mr. Rust, Mr. Spencer, Mr. Weeks, Ms. Whitley, and Mr. O'Brien.

Nays: None.

Absent for Vote: Mr. Randall Burdette, Ms. Barbara Donnellan, and Ms. Dena Moore.

Absent for Meeting: Mr. Randall Burdette, Ms. Barbara Donnellan, and Ms. Dena Moore.

#### Personnel Committee

Mr. Thomas L. Hasty, III, Chair of the Personnel Committee, stated based on performance that resulted in notable accomplishments at VRA for the period March 1, 2012 through February 28, 2013, the Committee recommends that the Executive Director receive a 10% bonus.

Mr. Hasty moved, and Mr. Rust seconded, that the Executive Director be awarded a 10% performance bonus for the period March 1, 2012 through February 28, 2013.

The motion was approved unanimously.

The following comments were made prior to the vote on the motion.

Mr. O'Brien stated that the bonus is well-deserved by the Executive Director and he noted that her success came with the assistance of a very talented and dedicated staff. He thanked the staff as well as the Executive Director.

#### Committee Meetings

Ms. Suzanne Long, Executive Director, stated that it has been an exciting year. Everyone has worked really hard to mass a list of accomplishments. She said she is happy to work with the staff, Board, advisors and partners who contributed to the success of VRA. She thanked everyone for their support.

Personnel Policies Manual: Mr. Hasty stated that staff provided an overview of proposed revisions to the Personnel Policies Manual. The intent, he said, is to provide clarity, conform to federal and state rules and regulations, and be consistent with current state and local government best practices.

The Executive Director explained that initially the intent was to address one particular issue in the Personnel Policies Manual. However, additional amendments are being proposed as agreed upon by staff and Ms. Phyllis Katz, an Employment Lawyer with Sands Anderson, PC, after a more comprehensive review of the manual. She noted that additional amendments were included as a result of discussions at the Personnel Committee meeting on March 11, 2013.

Mr. Michael Cooper, Director of Administration, continued the presentation stating that the revisions include various stylistic and grammatical revisions. He then provided an extensive review of all revisions to the manual including language clarifying the Scope, Harassment, exempt and non-exempt employees' classification, Freedom of Information Act (FOIA) requests, and employee political activity. As a result of discussions at the Committee meeting, additional revisions have been added pertaining to reporting of gifts and gratuities.

Mr. Cooper proceeded to explain that a Medical and Parental Leave Policy section (MPLP) was created basically because VRA is not covered under the Family and Medical Leave Act (FMLA) due to its size. However, he stated that the MPLP is modeled after the FMLA. He elaborated on the specifics of the section.

Mr. Cooper stated that a Short-term Disability section and OSHA requirements have been added to the manual. The discipline section has been improved as well as the section pertaining to Monitoring and Reading Communications. This is a new title for an existing section and covers the use of electronic communications devices.

There was discussion relative to establishing a policy for use of agency issued iPads. Board members shared policies currently being used by their agencies pertaining to electronic communication. In addition, there was discussion relative to retention of VRA Board documents.

Ms. Long explained that VRA follows state requirements and agency documents are filed with the Library of Virginia. She stated staff will review and report back relative to retention of documents by Board members.

Ms. Phyllis Katz, Attorney, Sands Anderson, PC, stated that it does not matter whether electronic devices are personal or business, it is the nature of messages that cause the most concern. Organizations should be very vigilant about informing employees of their lack of privacy in this regard.

Ms. Long concluded that going forward VRA will conduct a five-year comprehensive assessment of the Personnel Policies Manual with annual reviews.

Mr. Hasty stated that the Personnel Committee recommends approval of the Personnel Policies Manual as revised.

Mr. Hasty moved, and Mr. Spencer seconded, approval of the Personnel Policies Manual, as revised.

The motion was approved unanimously.

**Portfolio Risk Management Committee (PRMC)**

Mr. Thomas L. Hasty, III, presented the report of the PRMC meeting on March 11, 2013, on behalf of Ms. Dena Moore, Chair. He stated that staff provided a brief overview of the Loan Monitoring & Compliance Annual Report. In general, the FY2011 data showed an improvement in the overall VRA loan portfolio across all programs. Staff is proposing a strategy session for PRMC, and Board members who may be able to attend, prior to the June Board meeting to provide an opportunity to devote time solely to the report.

**Bedford County Regional Utility Authority:** Mr. Hasty stated that the Bedford County Public Service Authority (BCPSA) and the City of Bedford are merging water and sewer assets and creating the Bedford Regional Utility Authority (BRUA). Both the BCPSA and the City are asking VRA to modify the City debt with the BRUA assuming the BCPSA debt. He continued that a thorough credit analysis on the debt assumption request has been completed and the Credit Committee recommended approval.

**2013A VPFP:** Mr. Peter D'Alema, Director of Program Management, stated that VRA has received 25 local government applications for the 2013A Virginia Pooled Financing Program (VPFP) Spring Pool. The

requests cover seven of VRA's authorized core project areas. Currently, it appears that 18 of the 25 applicants will be moving forward in the spring pool. He referenced a chart showing the active applicant list and the borrower table, noting that there are ten new borrowers to the VPFP.

Mr. D'Alema provided the transaction overview of the four largest loan applications, noting that one, Caroline County, will not be moving forward in the Spring VPFP. However, open dialogue will continue with the applicant.

Mr. D'Alema continued that New Kent County is requesting a loan to refinance all or a portion of non-VRA debt. He explained that a lease revenue pledge is offered as security with school, sheriff and courthouse facilities as collateral. Depending on the structure of the bonds, the offered collateral value may not meet the VRA Lease Transaction Guidelines. However, staff is recommending acceptance of the proposed collateral based on New Kent's strong financial profile and the essential nature of the three facilities to be provided as collateral. This recommendation, however, requires an exception to the VRA's collateral value to loan underwriting guideline and Board approval.

Mr. Hasty moved, and Mr. Rust seconded, that the Board of Directors, believing the collateral offered by New Kent County is sufficient to meet loan to value guidelines, but to eliminate uncertainty, approves a 65% value to loan ratio in light of the essential nature of offered collateral and in an abundance of caution as such exception may not be required based upon the final loan structure.

The motion was approved unanimously.

Mr. D'Alema concluded that staff is currently finalizing credit analysis on the VPFP Series 2013A. He stated that bond pricing is scheduled for May 7-8, 2013, with pre-closing and closing on June 4-5, 2013.

2013B VPFP: Mr. D'Alema explained that a Summer 2013B Virginia Pooled Financing Program (VPFP) was offered to localities at the beginning of the year. The Summer Pool will assist local governments in obtaining debt service savings and take advantage of favorable market conditions without waiting for the VRA fall pool. Approximately ten localities have expressed interest in participating in the summer transaction.

Mr. D'Alema shared the proposed financing schedule for the Summer Pool, noting that the deadline for applications is May 3, 2013, bond pricing is proposed for July 30-31, 2013, with pre-closing and closing scheduled for August 13-14, 2013. He noted that applications for the Fall Pool will be accepted beginning August 9, 2013.

Ms. Long stated that the volume of the Spring Pool prompted staff to offer the Summer Pool. She noted that more refundings will be placed in the Summer Pool.

Unrestricted Net Asset Guidelines: Mr. Jon McCubbin, VRA Controller, stated that the Government Finance Officers Association and the National Advisory Council on State and Local Budgeting encourages some type of reserve to cover unpredictable circumstances. He stated that VRA has established three reserves and has developed guidelines governing each. The General Reserve ensures 270 days of cash on hand. The Technology and Efficiency Repair and Replacement Reserve will be established by management and the Board during the budgeting process to cover one time emergencies. The Portfolio Risk Management Reserve was assigned a Risk Methodology and will provide support in the event a borrower defaults on a payment.

Mr. McCubbin shared a chart showing VRA's Unrestricted Net Assets Reserve monetary requirements for each category as of June 30, 2012.

Mr. McCubbin continued that staff consulted with VRA's Financial Advisors, Davenport and Company, and Bond Counsel, McGuireWoods, to revise guideline language. As a result, staff is recommending that disclaimer language be added stating that Unrestricted Net Asset Guidelines are not to be perceived as a moral obligation or pledge of VRA on any existing bonds and that it is not deemed a pledge on the Commonwealth of Virginia. The second revision requires that prior to using VRA reserve funds for guideline-approved purposes, the Executive Director must notify the Chairs of the Portfolio Risk Management Committee and Board of Directors or their designees.

There being no further discussion, the following motion was offered.

Mr. Hasty moved, and Mr. Rust seconded, that the Unrestricted Net Assets Guidelines be approved, with the stipulation that the Executive Director must notify the Chairs of the Board and the Portfolio Risk Management Committee or their designees prior to using VRA reserve funds for guideline-approved purposes.



The motion was approved unanimously.

Underwriting Guidelines: Mr. D'Alema explained that as directed, staff has developed potential standardized underwriting guidelines that can be added to all existing underwriting guidelines covering borrower concentration and public credit ratings.

Mr. D'Alema stated that the first is a proposed Rating Requirement Guideline that provides enough flexibility to require ratings of borrowers only when absolutely necessary to maintain a VRA program level rating. The second is a proposed Borrower Concentration Guideline that will only limit exposure to a single borrower if their participation at a certain exposure level jeopardizes VRA-level program credit ratings. It further requires that the Executive Director seek PRMC and Board approval prior to authorization of any new debt exposure. Mr. D'Alema elaborated on the specifics of the guidelines.

There being no further discussion, the following motion was offered.

Mr. Hasty moved, and Mr. Rust seconded, that the proposed additions to the VRA underwriting guidelines with rating requirements and maximum exposure to a single borrower in a VRA program be approved.

The motion was approved unanimously.

Town of Pocahontas: Mr. D'Alema explained that the Town of Pocahontas has a loan with VRA through the Virginia Pooled Financing Program (VPFP) secured by a General Obligation pledge. The Town notified VRA of potential difficulty in meeting a future payment to the Series 2005B loan. The loan refunded prior Rural Development debt used to finance water and sewer system improvements. Mr. D'Alema shared several factors that weakened the Town's credit profile.

Mr. D'Alema continued that the Town is seeking grant funds to assist in replacing water lines in the water system. A meeting is being arranged with the Town and the West Virginia Public Service Commission to discuss the water rates and ways to generate revenue. In addition, staff strongly recommended that the Town apply to the Drinking Water State Revolving Fund (DWSRF) to possibly refund the Series 2005B VPFP at 0%.

Mr. D'Alema concluded that staff continues to monitor the situation closely, noting that a payment default could require the short-term use

of VRA reserve monies. No action is required at this time.

There was discussion as to whether there were guidelines in place on the original loan addressing issuance of loans outside of the state, in this case, West Virginia. Mr. D'Alema stated that there were no guidelines; however, the General Obligation pledge was probably accepted because of the relationship that existed between the Town and West Virginia.

Ms. Long stated as a result of the situation with the Town, staff will review its portfolio to determine if there are similar situations involving multi-jurisdictions.

Mr. Spencer shared involvement of Tazewell County in an effort to assist the Town of Pocahontas with its water system issues. He stated that he is involved as the County Manager and not as a member of the Board of VRA. He concluded that the County will work diligently with the Town to rectify the situation and prevent a long-term problem.

Virginia Airports Revolving Fund: Mr. Hasty stated that in January 2013, staff provided an amended and restated memorandum of agreement (MOA) with the Virginia Department of Aviation (VDA) and the Virginia Aviation Board (VAB) regarding the Virginia Airports Revolving Fund (VARF). A copy of the MOA has been provided to the Board. He explained that the MOA replaces similar agreements entered into in 1999 and 2000 and incorporates loan underwriting and closing procedures currently in use. Upon approval by the VAB in May 2013, staff will seek PRMC and Board approval in the June 2013 meeting.

EnAble: Ms. Long provided extensive background on the EnAble System for the benefit of new members to the Board. She stated that the system is a data conversion program that will allow customers and agency partners to communicate on-line and access loan information. The selected vendor, Technology Policy Group, has consistently missed deadlines and VRA has repeatedly created new implementation schedules in an effort to move forward with the project.

After conferring with an independent lawyer and VITA, in February 2013, Ms. Long prepared a termination notice to the vendor suggesting that both parties withdraw from the contract without repercussions. However, the vendor preferred to move forward with implementation of the EnAble System.

Ms. Long explained that restrictions have been placed on the most recent implementation schedule. The restrictions require a project

manager to oversee the project, that the funds remaining on the contract be reduced in half, that the source code be put in escrow, and that VRA receive the source code if the contract is breached. The Vendor agreed to the conditions, and in addition, offered the first year of the maintenance contract free. Ms. Long concluded that proper security features will be in place around the system if the project is breached.

Mr. O'Brien read into the record the following resolution commending J. Barry Purcell for his Service to VRA.

**Resolution – J. Barry  
Purcell, III**

**Resolution Expressing Appreciation and Thanks from the Board of Directors of the Virginia Resources Authority to J. Barry Purcell, III**

*Whereas* the Virginia Resources Authority (the "Authority") is a public body corporate and a political subdivision of the Commonwealth of Virginia established to encourage the investment of public and private funds and to make loans, grants, and credit enhancements available to local governments for public projects; and

*Whereas* the duties of the Authority are exercised by a Board of Directors (the "Board") appointed by the Governor and confirmed by the General Assembly; and

*Whereas* on July 14, 2004, J. Barry Purcell, III was appointed by Governor Mark R. Warner to the Board for a four-year term; and

*Whereas* upon the conclusion of that term, J. Barry Purcell, III was reappointed on July 1, 2008 by Governor Timothy M. Kaine to the Board for an additional four-year term; and

*Whereas* during his eight-year tenure with the Board, J. Barry Purcell, III worked closely with other Board members, the Executive Director, and staff to enhance the Authority's ability to meet the financing needs of Virginia communities; and

*Whereas* J. Barry Purcell, III served the Board as a conscientious member of the Legislative Committee and the Personnel Committee and provided insight, direction and thoughtfulness in matters relating to organizational structure, investment, and financial management; and

*Whereas* J. Barry Purcell, III assisted in the development and implementation of the Authority's loan review and monitoring system and promoted the development of the Authority's loan monitoring dashboard that provides for improved measuring and reporting of loan status; and

*Whereas* throughout his tenure on the Board, J. Barry Purcell, III maintained an absolute focus and commitment to the Authority's mission of assisting those communities with limited access to credit markets and encouraged that same focus and commitment of others; and

*Whereas* through his service, J Barry Purcell, III has assisted in sustaining the Authority's ability to provide innovative financing solutions to localities for projects that improve the well-being of Virginia communities and the quality of life of all Virginians.

*Now therefore be it resolved*, that the Board of Directors of the Virginia Resources Authority hereby commends J. Barry Purcell, III on his dedication, sacrifice, and service to the Virginia Resources Authority and to the Commonwealth of Virginia and extend to him its sincere appreciation, gratitude and best wishes.

Mr. Spencer moved, and Mr. Hasty seconded, approval of the above-stated resolution expressing appreciation and thanks from the Board of Directors of the Virginia Resources Authority to Mr. J. Barry Purcell, III.

The motion was approved unanimously.

There was no old business.

Old Business

There was no new business

New Business


There was no public comment.

Public Comment

There being no further business, the meeting adjourned at 11:16 a.m.

Adjournment

The next meeting of the Board will be held on June 11, 2013.

  
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William G. O'Brien, Chair  
Board of Directors

  
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Suzanna S. Long, Executive Director  
Secretary to the Board

**VIRGINIA RESOURCES AUTHORITY**  
**PERSONNEL COMMITTEE**  
**MINUTES OF THE REGULAR MEETING**

The Personnel Committee of the Virginia Resources Authority met on March 11, 2013, in the 19<sup>th</sup> Floor Conference Room, 1111 E. Main Street, Richmond, Virginia.

**COMMITTEE MEMBERS PRESENT:**

Thomas L. Hasty, III, Chair  
Dena Frith Moore (Teleconference during closed meeting)  
David Branscome  
John H. Rust, Jr.  
Richard Weeks on behalf of David Paylor  
William G. O'Brien, Ex Officio

**COMMITTEE MEMBERS ABSENT:**

None

**STAFF:**

Suzanne S. Long, Executive Director, Secretary to the Board  
Jean Bass, Director of Policy & Intergovernmental Relations  
Michael Cooper, Director of Administration  
Shawn Crumlish, Director of Debt Management & Credit Analysis  
Peter D'Alema, Director of Program Management  
Jon McCubbin, Controller

**OTHERS:**

Phyllis Katz, Attorney, Sands Anderson, PC

Mr. Thomas L. Hasty, III, Chair, of the Personnel Committee, called the meeting to order at 1:15 p.m.

**Call to Order**

There were no additions or deletions to the agenda.

**Approval of Agenda**

Mr. O'Brien moved, and Mr. Branscome seconded, approval of the agenda.

The motion was approved unanimously.

The Executive Director stated that the Committee is in receipt of a copy of the Personnel Policies Manual (the Policy) referencing proposed amendments agreed upon by staff and Ms. Phyllis Katz, an Employment Lawyer with Sands Anderson, PC. Ms. Long said that there has not been a comprehensive review of the manual in several years. The changes to the Policy, Ms. Katz noted, provide clarity, conform to federal and state rules

**Revisions to  
Personnel Policies  
Manual**

and regulations, and are consistent with current state and local government best practices.

Mr. Michael Cooper, Director of Administration, stated that the Personnel Policies Manual was last updated in December 2011. He noted that various stylistic and grammatical revisions have been made. Mr. Cooper provided an extensive review of all revisions to the manual including language clarifying Freedom of Information Act requests, employee political activity, and reporting of gifts and gratuities.

After discussion, there was consensus that language be added to the section relating to gifts and gratuities clarifying which employees are required to file a Statement of Economic Interest form and which are required to report gifts and gratuities only to the Executive Director.

Mr. Cooper proceeded to explain that a Medical and Parental Leave Policy section (MPLP) was created because VRA employees are not covered under the Family and Medical Leave Act (FMLA) due to the size of the Authority. However, he stated that MPLP is modeled after the FMLA. He elaborated on the specifics of the section.

After discussion, it was determined that the Personnel Policies Manual include the new section pertaining to the Medical and Parental Leave Policy. However, any references to the Family and Medical Leave Act should be eliminated to avoid confusion.

Mr. Cooper next explained the revised section pertaining to Monitoring and Reading Communications, noting that it is a new title for an existing section and covers the use of electronic communications devices.

There was discussion relative to policies pertaining to the shelf-life of emails and the employer's right to monitor the employee's use of electronic communications and the employee's right to privacy.

Mr. Cooper concluded that the proposed revisions will provide an up-to-date Personnel Policies Manual that has straightforward and clear policies and procedures, and establishes fair policies for all employees.

The Executive Director thanked the Board and Ms. Katz for their input. She suggested that going forward VRA will conduct a five-year comprehensive assessment of the Personnel Policies Manual with annual reviews. Mr. Cooper asked that the Committee recommend to the full Board approval of the revisions to the Personnel Policies Manual, including the amendments presented during the meeting.

Mr. Weeks moved, and Mr. Branscome seconded, that the Personnel Committee accept the proposed revisions to the Personnel Policies Manual, as amended, and that the Manual be presented to the VRA Board for consideration and approval.

The motion was approved unanimously.

Mr. Hasty called for a motion to go into closed meeting to consider the Executive Director's Performance Evaluation.

**Executive Director's  
Performance  
Evaluation**

Mr. O'Brien moved, and Mr. Rust seconded, the motion to convene in closed meeting for a discussion pertaining to the performance and salary of specific public officers, appointees, or employees, as permitted by Section 2.2-3711A.1 of the Virginia Freedom of Information Act.

A roll call vote resulted as follows:

Ayes: Mr. Branscome, Mr. O'Brien, Mr. Rust, Mr. Weeks, and Mr. Hasty.

Nays: None.

Absent for vote: Ms. Moore

Absent during closed meeting: Ms. Moore.

The closed meeting convened at 1:47 p.m.

Note: Ms. Dena Moore joined the meeting via teleconference during the closed meeting.

**Open Meeting**

The open meeting reconvened at 2:10 p.m. The Executive Director read the following resolution certifying closed meeting.

**RESOLUTION**

WHEREAS, the Personnel Committee of the Board of the Virginia Resources Authority (the "Authority") convened a closed meeting on March 11, 2013, pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Committee that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Personnel Committee of the Board of the Authority hereby certifies that, to the best

of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by the Virginia Freedom of Information Act were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Committee.

Mr. Weeks moved, and Mr. Branscome seconded, approval of the above-stated resolution certifying closed meeting.

A roll call vote on the motion resulted as follows:

Ayes: Mr. Branscome, Mr. O'Brien, Ms. Moore, Mr. Rust, Mr. Weeks, and Mr. Hasty.

Nays: None.

Absent during Vote: None.

Absent during meeting: None.

There was no old business.

**Old Business**

There was no new business.

**New Business**

There was no public comment.


**Public Comment  
Period**

There being no further business to come before the Committee, the meeting was ordered adjourned at 2:12 p.m.

**Adjournment**

The next meeting of the Committee is to be determined.

  
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Thomas L. Hasty, III, Chair

  
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Suzanne S. Long, Executive Director/Secretary



VIRGINIA RESOURCES AUTHORITY  
PORTFOLIO RISK MANAGEMENT COMMITTEE  
MINUTES OF THE REGULAR MEETING

The Portfolio Risk Management Committee of the Virginia Resources Authority met on Monday, March 11, 2013, in the 19<sup>th</sup> Floor Conference Room, 1111 E. Main Street, Richmond, Virginia.

**COMMITTEE MEMBERS PRESENT:**

Dena Frith Moore, Chair (Teleconference)  
David Branscome  
Thomas L. Hasty, III  
John H. Rust, Jr.  
William G. O'Brien, Ex Officio

**COMMITTEE MEMBERS ABSENT:**

Manju Ganeriwala

**OTHER BOARD MEMBERS PRESENT:**

Richard Weeks on behalf of David Paylor

**STAFF:**

Suzanne S. Long, Executive Director, Secretary to the Board  
Jean Bass, Director of Policy & Intergovernmental Relations  
Michael Cooper, Director of Administration  
Shawn Crumlsh, Director of Debt Management & Credit Analysis  
Peter D'Alema, Director of Program Management  
Jon McCubbin, Controller

**OTHERS:**

Arthur Anderson, McGuireWoods LLP, Bond Counsel  
James Traudt, Davenport & Company LLC

Mr. Thomas L. Hasty, III, called the meeting of the Portfolio Risk Management Committee to order at 2:21 p.m. on behalf of Ms. Dena Frith Moore, Chair, who joined the meeting via teleconference. **Call to Order**

There were no additions or deletions to the agenda.

**Approval of Agenda**

Mr. Branscome moved, and Mr. O'Brien seconded, approval of the agenda.

The motion was approved unanimously.

Mr. Peter D'Alema, Director of Program Management, stated that the Committee is in receipt of a thorough report relative to the Fiscal Year 2011 Loan Monitoring and Compliance Database. Staff is proposing a strategy session for Committee members to allow the opportunity to review the report. Staff will follow-up with Committee members before the June Board meeting to schedule a meeting.

**Loan Monitoring and  
Compliance Annual  
Report**

Mr. D'Alema stated that in general, the FY2011 data showed an improvement in the overall VRA loan portfolio across all programs. He complimented Ms. Stephanie Jones for assembling the report.

Mr. Peter D'Alema, Director of Program Management, explained that the City of Bedford is reverting to a town status for cost savings efficiencies. The Bedford County Public Service Authority (BCPSA) and the City are merging water and sewer assets prior to the reversion and creating the Bedford Regional Utility Authority (BRUA). Both the BCPSA and the City are asking VRA to modify the City/Town debt from double barrel or water and sewer to General Obligation with the BRUA assuming the BCPSA debt.

**Bedford Utility  
Authority Loan  
Assumption**

Mr. D'Alema stated that a thorough credit analysis on the debt assumption/modification request has been completed and the Credit Committee recommended approval. He explained VRA will maintain similar security on the outstanding debt as mentioned above, which will include state-aid intercept from Bedford County and City/Town.

Mr. Peter D'Alema, Director of Program Management, stated that VRA has received 25 applications from localities for the 2013A Virginia Pooled Financing Program (VPFP) Spring Pool. The requests cover seven of VRA's authorized core project areas. He explained that as a result of the due diligence calls and credit reviews, three applications will not be moving forward in the spring pool. However, VRA will continue to work with the localities in the future. Overall, it appears that 18 of the 25 applicants will be moving forward in the spring pool.

**2013A VPFP**

Mr. D'Alema shared the borrower table. He noted that there are ten new borrowers to the VPFP, with five being investment grade rated and five being unrated with strong unassigned fund balances.

Mr. D'Alema provided the transaction overview of the four largest loan applications, noting that one of them, Caroline County, will not be moving forward in the Spring VPFP. However, open dialogue will continue with the applicant for possible future loan consideration.

In addition, Mr. D'Alema stated that New Kent County is requesting a loan to refinance all or a portion of two prior non-VRA debt obligations. He explained that a lease revenue pledge is offered as security with school, sheriff and courthouse facilities offered as collateral. Depending on the structure of the bonds, the offered collateral value may not meet the VRA Lease Transaction Guidelines. However, staff is recommending acceptance of the proposed collateral based on New Kent's strong financial profile and the essential nature of the three facilities to be provided as collateral. This recommendation, however, requires an exception to the VRA's collateral value to loan underwriting guideline and requires PRMC and Board approval.

In response to the Committee, Mr. D'Alema stated that staff is being pro-active in terms of asking for the exception to the collateral value to loan underwriting guideline. If the final VPFP bonds are issued with premium coupons which is expected, the exception will not be necessary.

After further discussion, the following motion was offered.

Mr. Rust moved, and Mr. Branscome seconded, that the Portfolio Risk Management Committee, believing the collateral offered by New Kent County is sufficient to meet loan to value guidelines, but to eliminate uncertainty, recommends approval of a 65% collateral value to loan ratio in light of the essential nature of offered collateral and in an abundance of caution as such exception may not be required based upon the final loan pricing.

The motion was approved unanimously.

Mr. D'Alema concluded that staff is currently finalizing credit analysis on the VPFP Series 2013A. He stated that bond pricing is scheduled for May 7-8, 2013, with pre-closing and closing on June 4-5, 2013.

During discussion, Mr. O'Brien mentioned that he met with the City Manager of Buena Vista relative to procedures for obtaining financial assistance through VRA. He informed the City Manager that he could not offer any discussion without analysis of the City's financial profile by VRA. He concluded that VRA may be contacted in the future.

Mr. Peter D'Alema, Director of Program Management, explained that a Summer 2013B Virginia Pooled Financing Program (VPFP) was offered to localities at the beginning of the year subject to borrower demand. The Summer Pool will assist local governments in obtaining debt service savings and take advantage of favorable market conditions **2013B VPFP**

without having to wait for the VRA fall pool. Approximately ten localities have expressed interest in participating in the summer transaction. One of the potential borrowers is from the current spring pool and two others are potential anchor borrowers due to their estimated loan size.

Mr. D'Alema shared the proposed Financing Schedule for the Summer Pool, noting that the deadline for applications to the pool is May 3, 2013, bond pricing is proposed for July 30-31, 2013, with pre-closing and closing scheduled for August 13-14, 2013.

Mr. Jon McCubbin, Controller, stated that as a matter of best practices, the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting encourages having some type of reserve on hand at all times. He stated that VRA has established three reserves and has developed guidelines governing the reserves. The General Reserve ensures 270 days of cash on hand. The Technology and Efficiency Repair and Replacement Reserve will be established by management and the Board during the budgeting process to cover one time emergencies. The Portfolio Risk Management Reserve was assigned a risk methodology and will provide support in the event a borrower defaults on a payment.

**Unrestricted Net  
Asset Guidelines**

Mr. McCubbin shared a chart showing VRA's Unrestricted Net Assets Reserve requirements for each reserve as of June 30, 2012. He stated that there is a shortfall; however, the shortfall will be funded with excess revenues in future years.

Mr. McCubbin continued that staff consulted with VRA's Financial Advisors, Davenport and Company, and Bond Counsel, McGuire Woods, to revise guideline language. As a result, staff is recommending that disclaimer language be added stating that Unrestricted Net Asset Guidelines are not to be perceived as a moral obligation or pledge of VRA on any existing bonds and that it is not deemed a pledge of the Commonwealth of Virginia. The second revision requires that prior to using VRA Unrestricted Net Asset Reserve funds for guideline-approved purposes, the Executive Director must notify the Chair of the Portfolio Risk Management Committee or his/her designee.

After discussion regarding the timeframe in which the Executive Director must respond in the event of a default by a borrower, it was decided that both the Chairs of the Board and PRMC, in consultation with staff, approve the use of funds in the Unrestricted Net Asset Reserves, with an update to the full Board.

The Executive Director added that the Technology and Efficiency Reserve has been renamed the Technology Repair and Replacement and Efficiency Reserve. There was discussion relative to the type of repairs and replacements that fall under the reserve. It was reiterated that the reserve will be used exclusively for large one-time expenses.

Ms. Dena Moore disconnected from the meeting at 3:23 p.m.

Mr. Rust moved, and Mr. Branscome seconded, that the Portfolio Risk Management Committee recommend to the Board approval of the Unrestricted Net Assets Guidelines, with the stipulation that the Executive Director must notify the Chairs of the Board and the Portfolio Risk Management Committee or their designees prior to using VRA reserve funds for guideline-approved purposes.

The motion was approved unanimously.

Mr. Peter D'Alema, Director of Program Management, explained that as directed, staff has developed potential standardized underwriting guidelines that can be added to all existing underwriting guidelines covering borrower concentration and public credit ratings.

**Underwriting  
Guidelines Update**

Mr. D'Alema stated that the first is a proposed Rating Requirement Guideline that provides enough flexibility to require ratings of borrowers only when absolutely necessary to maintain a VRA program level rating. He stated that the second is a proposed Borrower Concentration Guideline that will only limit exposure to a single borrower if their participation at a certain exposure level jeopardizes VRA-level program credit ratings. It further requires that the Executive Director seek PRMC and Board approval prior to authorization of any new debt exposure.

There was discussion relative to the two proposed guidelines to determine the conditions under which a borrower becomes a material obligor in a VRA program.

Mr. Rust moved, and Mr. Branscome seconded, that the Portfolio Risk Management Committee recommend to the Board approval of proposed additions to the VRA underwriting guidelines with rating requirements and maximum exposure to a single borrower in a VRA program.

The motion was approved unanimously.

Mr. Peter D'Alema, Director of Program Management, explained that the Town of Pocahontas has a loan with VRA through the Virginia Pooled Financing Program (VPFP) secured by a General Obligation pledge. The Town notified VRA of potential difficulty in meeting a future payment on the Town's Series 2005B loan which refunded prior Rural Development debt used to finance water and sewer system improvements. Mr. D'Alema shared several factors that weakened the Town's credit profile, including excessive water loss due to leaking water lines within the Town's utility system.

**Town of Pocahontas**

Mr. D'Alema continued that the Town is seeking grant funds to assist in replacing water lines in the water system. A meeting is being arranged with the Town and the West Virginia Public Service Commission to discuss the water rates and ways to generate additional revenue. In addition, staff strongly recommended that the Town apply to the Drinking Water State Revolving Fund (DWSRF) to possibly refund the Series 2005B VPFP loan at 0%.

Mr. D'Alema concluded noting that staff continues to monitor the situation closely and that a payment default could require the short-term use of VRA reserve monies.

There was discussion relative to possible long-term and short-term solutions. However, no action is required.

Mr. Peter D'Alema, Director of Program Management, stated that in January 2013, staff provided an amended and restated memorandum of agreement (MOA) with the Virginia Department of Aviation (VDA) and the Virginia Aviation Board (VAB) regarding the Virginia Airports Revolving Fund (VARF). He explained that the MOA replaces similar agreements entered into in 1999 and 2000 and incorporates loan underwriting and closing procedures currently in use. Upon approval by the VAB in May 2013, staff will seek PRMC and Board approval in the June 2013 meeting.

**Virginia Airports  
Revolving Fund  
Update**

Mr. D'Alema continued that the Twin County Airport Commission closed a \$325,500 loan at 1.84% for 25 years on December 20, 2012. This loan will finance the construction of a new terminal building at the Twin County Airport and supplement federal and state grant funds.

He concluded by sharing the loan security.

Ms. Suzanne Long, Executive Director, provided extensive background on the EnAble System for the benefit of new members of PRMC. She

**EnAble Update**

stated that the system is a data conversion program that will potentially allow customers and agency partners to communicate on-line and to access loan information. The vendor has consistently missed deadlines and VRA has repeatedly created new implementation schedules in an effort to move forward with the project.

After conferring with an independent lawyer and VITA, in February 2013, Ms. Long prepared a termination notice to the vendor suggesting that both parties withdraw from the contract without repercussions. However, the vendor preferred to move forward with implementation of the EnAble System.

Ms. Long explained that restrictions have been placed on the most recent implementation schedule. The restrictions require a project manager to oversee the project, that the funds remaining on the contract be reduced in half, that the source code be put in escrow, and that VRA receive the source code if the contract is breached. The Vendor agreed to the conditions, and in addition, offered the first year of the maintenance contract free. Ms. Long concluded that proper security features will be in place around the system if the project is breached.

There was discussion relative to the escrowed source code if the vendor breaches the contract after the system is live. Concern was expressed relative to the vendor's ability to successfully implement the EnAble system.

Mr. William G. O'Brien and Mr. Richard Weeks left the meeting during the discussion on the EnAble update.

Ms. Long stated that Mr. Mark Prince filed an initial lawsuit against VRA and other parties in connection with the RSW Regional Jail financing. VRA prevailed in Circuit Court both on procedural and substantive issues. Mr. Prince filed a notice of appeal. However, the Supreme Court declined to hear his petition. **Litigation**

Mr. Arthur Anderson, McGuireWoods, Bond Counsel, updated the Committee on other litigation filed by Mr. Prince.

The Executive Director stated that Ms. Dena Moore, PRMC Chair, expressed a desire to review examples of financial statements pertaining to pension liabilities. Staff will give a presentation at a future meeting. **Old Business**

There was no new business.

**New Business**

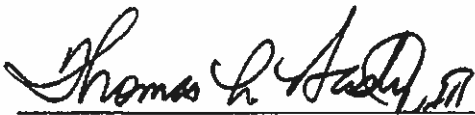
There was no public comment.

**Public Comment**

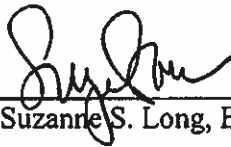
There being no further business, the meeting adjourned at 4:35 p.m.

**Adjournment**

The next meeting of the Portfolio Risk Management Committee is to be determined.



Thomas L. Hasty, III on behalf of  
Dena Frith Moore, Chair



Suzanne S. Long, Executive Director/Secretary